Sept. 1, 1969

main

FOREIGN AGRICULTURE

SEP 8 - 1969

September 1, 1969

MIAMI UNIVERSITY LIBRARY

U.S. Soybeans: Production and World Sales

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE

VOL. VII • No. 35 • September 1, 1969

In this issue:

2 U.S. Soybeans: Production and World Sales

6 Australia Tightens Meat Export Controls

Two New Steps Taken on Wheat Export Pricing

7 Ecuador's Sheep Expansion Program Includes U.S. Stock By William C. Bowser

8 New Pakistan Water Pattern: Indus River Basin Plan

10 Crops and Markets Shorts

This week's cover:

Artist's view of a soybean plant and the processing operation that releases valuable soybean oil. Soybeans as an important U.S. export commodity are discussed in this week's lead story.

Clifford M. Hardin, Secretary of Agriculture
Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs
Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Editor: Alice Fray Nelson; Associate Editors: Janet F. Beal and Elma E. Van Horn; Assistant Editors: Faith N. Payne, Mary A. Nicolini, Marcia Sutherland, Ann L. Barr.

Advisory Board:

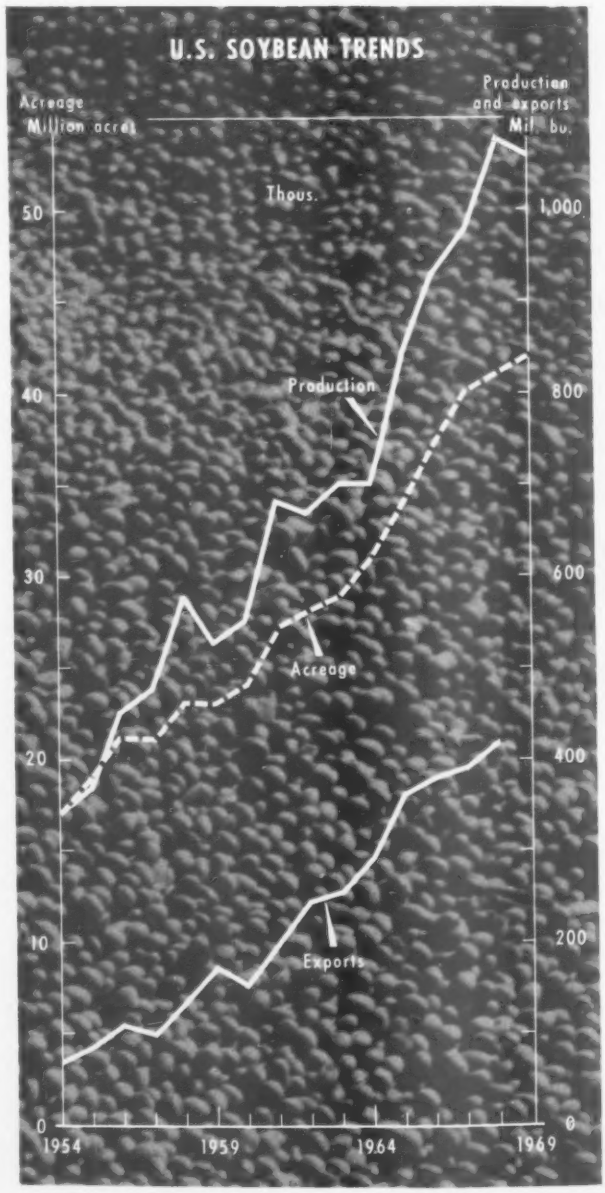
W. A. Minor, Chairman; Horace J. Davis, Anthony R. DeFelice, James A. Hutchins, Jr., Kenneth K. Krogh, Robert O. Link, Kenneth W. Olson, Donald M. Rubel, Dorothy R. Rush, Raymond E. Vickery, Quentin M. West.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. Soybeans: Pr

Assistant Secretary Clarence D. Palmby examines the economic status of this second-ranking cash farm crop and the outlook for continued high exports.



s: Production and World Sales

The soybean is a typical American. It came as an immigrant, struggled in obscurity, and was joined by others of its kind. It crossed with other immigrant strains and slowly began to thrive and to succeed in its new environment. Finally, a century and a half after its introduction to America, the soybean began the sudden expansion that has made it the second ranking income producer among cash farm crops.

This spurt in economic importance has been a phenomenon of only the past 20 years. In 1949 we harvested 10.5 million acres of soybeans. Within a decade that figure had doubled. Within a decade and a half, it had tripled. And this year farmers' plantings are a record 42.4 million acres of soybeans—four times the harvested acreage of 20 years ago.

Today, this country accounts for three-fourths of the world's production and about 90 percent of its soybean trade.

But this does not mean that we have things all our own way, or that we can let up in our research, our cultural work, our marketing improvement, or our export promotion. Continued growth will require greater efficiency—and bring new problems.

A growth factor

Soybeans have played a very interesting role in American agriculture the past decade and a half. Here was a commodity that an investment counselor might call a "growth stock." A farmer who needed to reduce his planting of another crop might turn to soybeans and share in this market growth.

There is, of course, an inverse relationship between the rise in soybean acreages over the past 15 years and the declines in acreages of feedgrains and cotton.

In the early 1950's, farmers were harvesting around 80 million acres of corn for all purposes. In comparison, this year's harvested acreage will be down by 17 million acres. Oats acreage is down by 19 million from 1953. Cotton acreage to be harvested is down by some 13 million.

While feedgrain and cotton acreages have declined, soybean acreages have increased—by 28 million acres since 1953. This by no means tells us all that happened in those years of radical change, but it is an interesting commentary on the part that soybeans have played in maintaining farm income.

We know, for example, that in those States where soybeans and cotton "overlap" in production area, the growth in soybeans has more than made up the decline in income experienced in cotton as the result of restrictive programs and poor crop years. And, of course, soybeans have become a major source of income in feedgrain areas as well.

So it is plain that soybeans have been a growth factor in American agriculture—especially in the past 10 to 15 years.

Implicit in all this is the existence of an expanding market for U.S. soybeans—especially in other countries. It is true that utilization of soybeans in this country has doubled since 1953, but this increase would by itself have fallen far short of providing a market for the large recent crops.

In the early 1950's we were producing around 300 million bushels of soybeans a year. In the past year, we produced about 1.1 billion bushels. In simple round numbers, this is a growth in production of nearly 800 million bushels in 15 years.

U.S. utilization has grown steadily during that period. Domestic use of soybean meal has risen from 5 million tons to 11 million tons. In terms of beans, this is an increase from about 210 million bushels to about 460 million bushels. This 250-million-bushel increase in domestic use would not begin to absorb a production increase of 800 million bushels.

Expanding exports

Meanwhile, however, we were able to build a world market for our soybeans and products—starting almost from scratch. In 1953, we exported only 40 million bushels of soybeans plus an amount of soybean meal equivalent to 2.8 million bushels of beans. From that low level, we have built our exports to the point where for the marketing year ending this August, we will have exported 285 million to 290 million bushels of soybeans and another 125 million bushels in the form of meal.

If you combine these figures—ignoring oil exports for the sake of simplicity—you get a total export of 410 million bushels and equivalent. Compared with 15 years ago, this is an additional market for 365 million bushels of soybeans produced by U.S. farmers.

Without the development of this export market, we could never have sustained the kind of growth that we have seen in U.S. soybeans. Clearly we need to preserve and expand this market if we are to have a continuing large and growing soybean enterprise in this country.

It is reasonable to conclude that without an export market for soybeans and meal we would have to cut back production around 40 percent. Acreage would have to be reduced below 25 million acres. Farmers' returns from soybeans would be reduced by almost a billion dollars.

Far-flung markets

So we need to keep in mind the importance, to us, of the world soybean market—particularly Western Europe, Canada, and East Asia.

Western Europe alone takes well over half of our soybean exports.

In the early 1950's, we were exporting to Western Europe less than 10 million bushels of soybeans a year. In 1953, we shipped 15.1 million bushels of soybeans and a very small amount of meal—equivalent to 165,000 bushels of beans.

U.S. shipments of soybeans climbed steadily through the 1950's and 1960's to the point where we exported in the most recent marketing year (1967-68) some 147 million bushels of soybeans to Western Europe. This is almost a tenfold increase in 15 years—following closely the increased use of soybeans in those countries. Western Europe imported 175 million bushels of soybeans from all sources in 1968, with 85 percent coming from the United States.

The increase in Western Europe's import of U.S. soybean *meal* has been more spasmodic but no less dramatic. Starting from virtually nothing, our exports of meal to those countries

---

The article above was taken from a paper presented by Mr. Palmby to the 49th Annual Convention of the American Soybean Association, Myrtle Beach, S. C., August 11, 1969.

began to move up in the middle 1950's, and in 1967-68 they reached 94 million bushels. Here again, we benefited from a growing market. Western Europe's imports of soybean meal from all sources have more than doubled in this decade alone, now amounting to the equivalent of some 135 million bushels of beans.

Asia and Oceania account for over one-fourth of U.S. soybean exports.

In 1953, our exports of soybeans to the Asiatic area stood at about 20 million bushels. We shipped less than a million bushels (785,000) in the form of meal.

By last year, however, the volume of U.S. soybean exports to Asia and Oceania had grown to about 95 million bushels. Almost four-fifths of these shipments went to Japan. Japan has steadily expanded its overall imports of soybeans about fivefold in 15 years. This year, it will have imported 89 million bushels from all sources, with the United States supplying 82 percent.

In Asia, we have not had the kind of growth in the market for soybean meal that we have had in beans. Japan has followed a restrictive soybean meal import policy. Nevertheless, in 1967-68, we exported to that area a quantity of meal equivalent to about 5 million bushels of soybeans. Taken together, U.S. exports of soybeans and meal to Asia and Oceania have expanded fivefold in 15 years.

Thus Europe and Asia have provided outlets for a steadily expanding volume of U.S. soybeans. This is true primarily because Japan, Taiwan, and a few European countries have been "growth" markets for soybeans, and the United States has been the dominant supplier to those markets, sharing in their growth.

World customers are important to the American soybean producer. They're as important as the day-to-day production decisions he makes. They're as important as the price he gets for his crop. Because, in a very real sense, these markets determine the future of his business.

In this connection, I was glad to see the recent formation of the American Soybean Institute, to give industrywide support to world market development. I understand that the first contract for this work is with A.S.A. and calls for the expenditure of $1.6 million over the next 2 years. The willingness of growers to assess themselves in order to support this work is testimony to their concern for keeping the soybean industry healthy.

The competition

Over the years, Federal farm policies have generally favored expansion in the soybean market. Thus they have encouraged —or at least not *dis*couraged—the continued growth of the U.S. soybean industry. Price support has been set at levels designed to encourage production in line with growing demand, to protect farm prices, and aid the orderly marketing of the crops.

These considerations are not always easy to keep in balance. But in the case of soybeans, it was especially important that Federal programs not be used to push prices out of line with competitive products. Soybeans—because of their varied uses as oil and meal, as human food and livestock feed, and as industrial items—have a great variety of real and potential competitors.

If prices went out of line, the users of soybeans at home and abroad would immediately look for other materials that could be had more cheaply. There are dozens of oil-bearing materials. There is an increasing plethora of protein supplements, as new and exotic sources are exploited and as new synthetics spring forth from the test tube.

But for a long time, we were able to maintain soybean utilization just about neck-and-neck with production. Stocks just about kept the pipeline running to crushers and exporters. No surpluses accumulated to threaten prices and income.

Finally, in 1966, we made what in retrospect must be considered an error. The fine balance between price and use and production of soybeans was knocked out of whack by a rise in the price support level—from $2.25 to $2.50 a bushel.

The price farmers got in the market for the 1966 crop went up, too. But not all of the beans grown in 1966 were used in the 1966-67 marketing year. Stocks accumulated, and prices fell in the market—to below the support level.

Results of noncompetitive pricing

Looking back from where we are now, we can see the result of the higher price support level that was in effect in 1966, 1967, and 1968. It was to artificially price soybeans out of an expanding market situation and give aid and comfort to the soybean farmer's competitors—both here and abroad.

For example, it gave a price advantage to imported fishmeal —a protein product which has now cut rather sharply into the demand for soybean meal in this country. Last year, fishmeal imports replaced approximately 750,000 tons of soybean meal equivalent.

Another competitor which benefited from our noncompetitive pricing was the synthetic urea which is adaptable to ruminant feeding. Last year, urea replaced at least 750,000 tons of cottonseed and soybean meal equivalent in beef cattle rations and some additional tonnage in dairy cattle rations.

Together, urea and imported fishmeal replaced a million and a half tons of U.S. soybean meal, depriving U.S. farmers of outlets for about 70 million bushels of soybeans. Some of this replacement might have come anyway, but our pricing policies have intensified it.

Meanwhile, production of soybeans is rising in a number

American Soybean Institute

An industrywide organization to accelerate world market development for U.S. soybeans and soybean products came into being on July 11, 1969, in St. Louis, Mo. The American Soybean Institute was voted into existence by delegates representing 13 State soybean associations, the American Soybean Association, and the National Soybean Processors Association.

ASI's purpose is to fund soybean and soybean product development programs. It will receive monies, act as a trusteeship, and contract for actual market development work. Its first contract will be with the American Soybean Association to carry out a 17-country program.

Primary source of funds to be channeled through the ASI trusteeship will be soybean grower self-assessment programs. The National Soybean Processors Association has already pledged significant financing.

All major State soybean associations have adopted either legislative or voluntary forms of ½-cent-per-bushel deduction programs for 1969-crop soybeans.

of countries, and U.S. exports have leveled off.

World production was up 7 percent in 1968, a new alltime high. This was principally a result of the large U.S. crop, but a number of smaller producers harvested record crops. Brazil, the largest producer in the Western Hemisphere except for the United States, is now harvesting a record crop. The outlook for Mainland China, the other important world producer, is reported to be fairly good.

Soybean oil an example

The effect of noncompetitive pricing is well illustrated in what has happened to the export market for soybean oil, which has been particularly vulnerable to inroads from sunflower oil. Total U.S. exports of soybean oil have flattened out in the last 3 years. In 1966, exports amounted to 1,105 million pounds. Exports fell off to 993 million pounds in 1967 and 950 million pounds in 1968. About 90 percent of the oil exports moved under P.L. 480 programs in 1968.

The fact is that importers are willing to pay prices that go up and down with the world market. But when we set our price support at levels that cause our product to be above the world price, their reaction is simple: They buy from other sources, and we lose customers. The other thing that happens is that we become an underwriter for any world surplus, providing the world's only home for excess supplies.

We have observed both of these consequences from the price support action taken in 1966. And without increased shipments under government programs (P.L. 480) our oil exports could not have been maintained even at the flattened-out level of the past 3 years.

With this weakness in oil demand, any new threat to the demand for meal—by a new competitor, perhaps, such as the protein yeast product made from petroleum byproducts—could bring serious consequences to the export market for U.S. soybeans. Petroleum and chemical companies all over the world are working on this product and on other synthetic proteins.

Within this background, the Department of Agriculture had to make a decision this spring as to the price support level for the 1969 crop of soybeans. We had to decide whether to continue a price support level that jeopardized markets at home and abroad—*or* to resume a price relationship that would permit growth.

You know what the decision was. It was made in the longer term interest of the soybean farmer. It was based on our judgment that it is absolutely essential that soybeans be price competitive at home and in the world.

We must not jeopardize an export market that is essential to the future of our soybean enterprise as it now exists. We must not risk, for an illusory short-run gain, the substantial destruction of an industry that has been, and should be, so much a growth factor in American agriculture.

Thus we must, by every means within our control, work to make and keep our soybeans and soybean products competitive in price, quality, and availability. Further improvement in efficiency is of utmost importance.

Protectionism breeds new problems

There are problems, of course, over which we have no control. One of these is the proposal now before the European Community to impose an internal consumption tax of $60 per metric ton on vegetable and marine oils and $30 per ton on oil cakes.

These proposals could very definitely work to the detriment of U.S. exports of soybeans and products. They were presented to the EC Council of Ministers by the EC Commission. So far, this proposal has not been approved by the Council for ratification of the six governments. The U.S. Government and the soybean industry have registered strong protests.

This type of protectionist action has become altogether too common in the world, and such a proposal by the Common Market is highly disappointing to our Government and the Department of Agriculture.

Obviously, protectionism—whether in the form of tariffs, quotas, or some other artificial barrier—works directly to reduce and discourage the sale of U.S. commodities in customer countries. But protected high prices within those countries also reduce consumer demand, and thus limit the total utilization or consumption of the products involved.

The Common Agricultural Policy of the European Community is essentially a protectionist policy. It fosters prices within the Common Market that are unrelated to prices in other trading countries. I am sorry to say that I cannot foresee any reversal of this trend any time soon.

Some leaders in the EC envision a larger Community in the not too distant future—one that includes the original "six" plus the United Kingdom, Ireland, Denmark, Norway, and probably Spain and Portugal. Full membership for Greece would also be a part of this larger Europe.

European agriculturalists appear eager to welcome these additional countries. And, for the most part, they foresee that an enlarged Europe would follow an agricultural policy similar to the present one.

A flexible future

If there is one thing to be learned from all this it is that American agriculture should—as they sometimes say in baseball—"stay loose and play back on the grass." It is important that we not be wedded to positions and policies of the past. It is important that we stay flexible in an era when change may come suddenly. It is important that we maintain our ability to compete.

This might be called the "era of the substitute." As our technology gets closer to the very sources of life—as it pries more closely into the ultimate structure of things—there will hardly be anything that can't be substituted, complete with odor and taste.

And this isn't all bad. You can't preserve the past—or even the present. What you *can* do is look to the future with products that are as competitive as you can possibly make them—in quality, in suitability, in availability, *and in price*.

Soybeans have been a "growth stock" in agriculture, and I am convinced that we have the imagination and the determination to keep them in the forefront of American farm progress. At the same time, we must be realistic in dealing with problems as they come.

We are fortunate in this country—in being able to produce beyond our needs. At the same time, this excess capacity tends to depress prices for farm products. This is a major problem.

The producer will be the "key man" as soybean production becomes more and more efficient. As always, most of these efficiency gains will be passed on to consumers. But sound farm program policies can help soybean producers to retain some of these gains and thus to obtain a fair income within the total U.S. economy.

This is our goal in the Department of Agriculture.

Australia Tightens Meat Export Controls

Beginning August 10, each shipment of Australian beef or mutton will require Australian Meat Board approval. This tight control over exports has been introduced to insure that individual exporters do not exceed their export entitlements under the diversification scheme and to make sure that Australian exports to the United States, in a situation of increasing export availability, are held to the voluntary restraint level.

Prior to the first quarterly estimate for 1969, when it became apparent that imports of fresh, chilled, or frozen beef, veal, mutton, and goat meats would exceed the trigger level during 1969, the principal supplying countries agreed to voluntarily limit their exports of these meat items to 1,035 million pounds. Australia, in compliance with the restraint level, set up a system to divert their excess exports from the U.S. market.

For the 10 months ending October 1968, 81 percent of Australia's total exports of beef and veal went to the United States. In November, under the diversion plan, Australian exports to the United States were reduced to 67 percent. At the beginning of 1969, the Australians relaxed their diversification scheme, first allowing 75 percent in April and then 80 percent in May of their total exports of beef and veal to be exported to the United States. Due to an anticipated increase in domestic beef and veal production in 1969, the Australian Meat Board on August 7 reduced the rate once again to the initial 67 percent. In addition, increases in mutton production led to the August 7 revision, making 25 percent of the total mutton exports eligible for entry to the United States. Previously, 40 percent was allowed.

Unofficial trade sources indicate that Australian production of beef and veal this year could be 5 to 6 percent larger than last year. Indications are that mutton production has picked up as well and could conceivably be 8 percent larger than in 1968.

The expected production increase will probably be used almost entirely for export. Total consumption of beef and veal in Australia has been virtually static at the 1968 level so far this year, while mutton consumption has declined.

Beginning on October 1, 1969, the United Kingdom will reduce its ad valorem duty on fresh, chilled, or frozen boned or boneless beef from non-Commonwealth countries from 20 percent to 5 percent. This reduction means that Australia (and other Commonwealth preference countries) will have to face greater competition in the U.K. market in these items. Reduced Commonwealth preference in addition to increased production available for export will place a heavier burden on Australia's diversification scheme this year.

Two New Steps Taken on Wheat Export Pricing

On August 12, USDA revised export wheat pricing schedules at Gulf and West coast ports. South American countries were made eligible for Gulf coast wheat pricing similar to that begun July 18 (reported in *Foreign Agriculture*, Aug. 4).

Also, adjustments comparable to those made at the Gulf on July 18 were made at the West coast for Far Eastern markets. These changes have the effect of making price reductions announced on July 18 available to all prospective buyers.

The action was taken to help U.S. wheats regain their previously competitive position in a world market situation where current and projected supplies far exceed demand.

Recognizing this difficult international situation, and in view of its policy of keeping production in line with probable use, USDA had already reduced the national wheat acreage allotment to 45.5 million acres for 1970.

At West coast ports, the White wheat certificate value was reduced from 17 cents to 7 cents, or a net price reduction of 10 cents per bushel; for Hard Red Winter wheat, ordinary protein, the certificate value was reduced from 9 cents to 0; and for Hard Red Winter wheat, 13 percent protein, the net export price was reduced 2 cents.

On August 26, Secretary of Agriculture Clifford M. Hardin announced that selective adjustments are being made in the export prices of certain U.S. wheats. His announcement, which was released after the August 12 revision had gone to press in *Foreign Agriculture*, continues:

From West coast ports for the Far East markets, a 10-cent-per-bushel reduction is made in the export price of Hard Spring wheat. This adjustment is to offset the 11¾-cent-per-bushel reduction made by Canada in its West coast price of Manitoba Spring wheat since August 13. It also brings prices of these wheats into proper relationship with similar qualities of Australian wheats. No basic price changes are made in Hard Red Winter and White wheat on the West coast.

At the East coast, Lakehead, and Gulf ports, a reduction of 2 and 3 cents is made in the export price of the lower quality spring wheats to re-establish price relationship with competing wheats which prevailed in Western European markets in late July. No changes are made in the export price of the higher quality spring wheats at these ports.

At the Gulf and East coast ports, reductions are made in the export prices of Hard Winter wheat ranging from 4 cents per bushel on the high-quality wheats to 8 cents on the lower quality wheats. These reductions will enable export prices on these wheats to be more in line with competing hard wheats of other exporting countries which have consistently undersold U.S. wheats in Western Europe and Latin America. An 8-cent-per-bushel reduction in the price of Soft Red Winter wheat is made to maintain its export price consistent with the traditional relationship to Hard Red Winter wheat, ordinary protein. U.S. pricing of soft wheats continues to be above levels established by the EC.

Secretary Hardin declared all possible restraint is being exercised in making these price adjustments to maintain competitive prices on U.S. wheat. "We shall continue to use restraint because of our interest in preserving the International Grains Arrangement and urge other exporters to follow a similar practice. I hope today's action will bring price stability in world wheat markets," the Secretary concluded.

Rambouillets imported from the United States late in 1968 are inspected by Walther Wohlerman, ANCO Manager; Alfonso Mosquera, ANCO Secretary; William Bowser, Agricultural Attaché, Quito.

Ecuador's Sheep Expansion Program Includes U.S. Stock

By WILLIAM C. BOWSER
U.S. Agricultural Attaché, Quito

Ecuador, a country that has seen its sheep production fall far in importance since the colonial era, is in the midst of a program to expand and improve this industry. Improvement means upgrading of native stock, and that is coming through sheep imported from the United States, which concluded its latest sale to Ecuador in December of last year; from Australia; and from several other countries.

Indians the main producers

The sheep industry in Ecuador consists mainly of smallholders, about 70 percent of them Indians in the mountainous regions. For years, these producers raised degenerated descendants of the Spanish Merino that were low in productivity and brought meager incomes to their owners. In 1957, however, leading Ecuadorans set out to improve this situation through an agency they called the National Association of Sheep Raisers (Breeders), or ANCO.

Under the leadership of Galo Plaza, former President of Ecuador and now Secretary of the Organization of the American States, the Association contracted with the Ecuadoran Government for a sheep program in the country. It obtained a $2.7-million loan to import sheep, establish breeding stations, expand extension services, set up veterinary services, and conduct various other improvement programs. Since then, ANCO has been actively engaged in the import and breeding of sheep.

Today, it has several large breeding stations; one—Sigsicunga, at 9,300 feet above sea level—contains a flock of 3,095 Corriedales; another—Pachamama, at 13,000 feet—raises Rambouillets, which now number about 3,200. Some 47 head are kept at a smaller station, Elena, located on the coast under somewhat experimental conditions. The imported animals are kept at such stations, while their offspring are sold to members and to Indians through programs with the Andean Mission. Breeders are charged $27 for a purebred ram, and the Indians, $15; ewes cost $19 and $15. Often, however, the Indians cannot pay, so ANCO will accept in exchange old sheep, which it then sells to slaughterhouses.

ANCO made its first purchase in the United States, buying some Rambouillet sheep from Utah and Corriedales and Columbias from New Mexico. Later, in 1963, the Association bought 4,400 more Rambouillets from the United States, most of them from the Rocky Mountain States, and 4,400 Corriedales from Australia. The cost of these sheep plus transportation and duties came to $1.8 million.

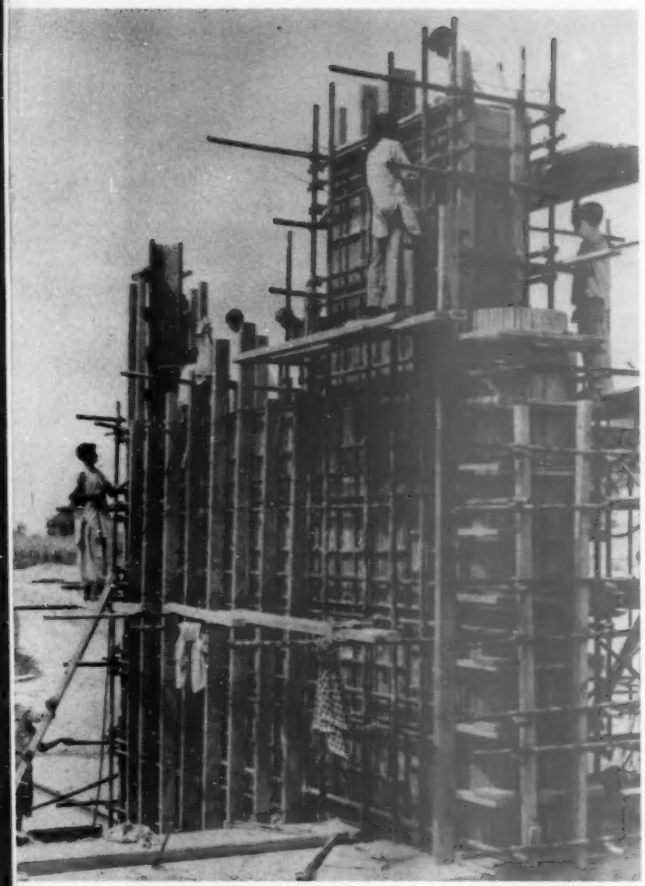
Then in December of last year, ANCO imported 91 U.S. Rambouillets. These sheep are located at the Turubamba station, about 10 miles south of Quito, and reportedly all are doing quite well.

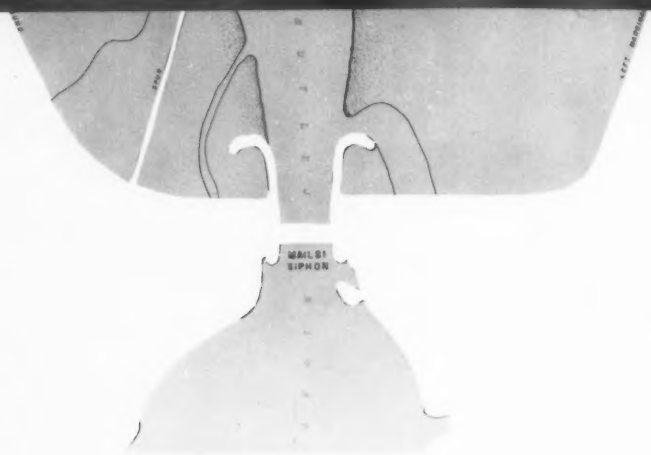
The total number of purebred sheep sold under ANCO's program 1957 through March 1969 to various farmers and organizations totaled 5,175 head, plus 330 sheep given to Indians, 4-H clubs, Peace Corps, and heifer projects.

All told, ANCO estimates that it has supervised the production of 300,000 sheep of improved stock, of which 25,000 head are purebred. This includes the imported stock being raised on the Association's own farms. In addition, ANCO is studying, under contract with the Institute of Agrarian Reform, the results of sheep and mutton production along the coast; included in the study are Corriedales, Rambouillets, national stock, and mixed breeds.

Production slowly growing

Such activities have figured in the steady, if slow, growth in Ecuador's sheep numbers, which now total about 2.1 million head. The annual rate, at about 3 percent, is below the 6 percent Ecuador had hoped for and reflects a stifling of demand for wool caused in part by low-priced imports of Japanese textiles and synthetic fibers. However, wool and sheep quality are improving. With better prices, production could increase faster and come close to domestic needs.





Top right, sketch plan of Mailsi Siphon on the Sutlej River and the Sidhnai-Mailsi and Mailsi-Bahawal link canals. Above, concrete framework being put in place for a pier on a regulator on the Sidhnai-Mailsi canal.
Bottom, upstream view of nearly completed Sidhnai Barrage showing level concrete-block apron, sloping reinforced concrete floor spanning gate openings, piers, and a service bridge.

New Pakistan Water Pattern

Indus River Basin Plan

The semiarid plains of West Pakistan contain the major part of the largest irrigation system in the world—30 million acres fed with water from the Indus River and its tributaries. Without irrigation water these plains would not grow crops.

In 1960 a long-standing dispute betweeen India, which controls much of the upstream reaches of the rivers in the Indus system, and Pakistan, which contains most of the area to be irrigated with the waters from the rivers, was settled by the Indus Waters Treaty. Basically, the agreement allocated the water from the three eastern rivers in the system (the Sutlej, the Beas, and the Ravi) to India and the water from the three western rivers (the Chenab, the Jhelum, and the Indus) to the use of Pakistan.

At the same time financial arrangements were made for building the structures necessary to divert the waters of the three western rivers to West Pakistan's far-flung canal system, which in the past had chiefly depended on waters from and control structures on the three eastern rivers. The World Bank set up and administers the Indus Basin Development Fund with money contributed by Pakistan, India, the United States, the United Kingdom, West Germany, Canada, Australia, and New Zealand and World Bank and U.S. loans.

New structures, called barrages, had to be built at key points on rivers to control flow, divert water into local irrigation canals, and reroute water to the new link canals that would transfer western river water to the eastern canal system. Aqueducts and siphons also had to be included in the complex. In addition, two dams, Mangla and Tarbela, were included in the overall plan to provide storage of water for irrigation reserve in unusually dry seasons or critical periods.

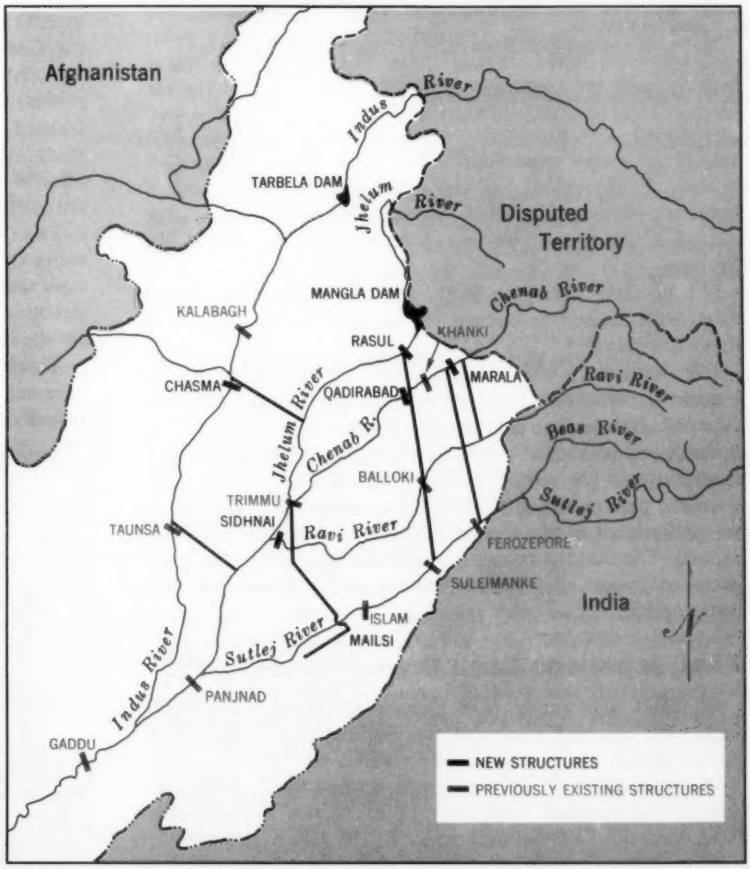
The master plan is now almost completely a physical reality. Mangla Dam has been built. The new barrages have been erected and a number of old barrages remodeled and adapted. Most sections of the new link canals are operative. Tarbela Dam is under construction.

The new pattern of dams, barrages, and canals in West Pakistan will not only maintain the old irrigation efficiency but should improve it by making possible the development of new irrigated areas, better sustained flow and control of water during irrigation seasons, and increased time during the year when water can be provided to subsidiary canals.

Above, beginning ground-leveling operations for Mangla Dam. Right, upper chute of main spillway of finished dam.

Above, view of Sidhnai Barrage and complex of feeder and link canals. Below, cross-over in canal network.

RIVERS AND SURFACE-WATER STRUCTURES OF THE INDUS BASIN PROJECT, WEST PAKISTAN



CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	August 19	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	1.89	−1	2.02
USSR SKS-14	1.81	−1	(1)
Australian Prime Hard	1.80	−6	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.80	−3	1.93
15 percent	1.87	0	2.03
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	0	1.88
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.61	−4	1.78
Feedgrains:			
U.S. No. 3 Yellow corn	1.37	−8	1.23
Argentine Plate corn	1.69	+2	1.41
U.S. No. 2 sorghum	1.39	−3	1.21
Argentine-Granifero	1.38	0	1.21
Soybeans:			
U.S. No. 2 Yellow soybeans	2.92	—	2.88

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

Taiwan's Rice Harvest

Taiwan's first rice crop of the year has just been harvested and earlier expectations of a large crop are being confirmed. If favorable growing conditions continue, and if typhoons do not strike at the critical growth period, a large second rice crop can also be expected. An estimated 314,640 hectares were planted for the first crop—an increase of 1,551 hectares over its 1968 counterpart. However, heavy rains have reportedly caused the quality of the crop to be lower than normal.

The large crop may cause already heavy rice stocks to become burdensome. Government and rice dealers' stocks on June 30, before the takeover of the first crop of 1969, reportedly amounted to 413,000 metric tons (brown). Normal June 30 stocks are about 200,000 metric tons.

In the past, midyear stocks have reached levels as high as the present, but in those years stocks were quickly reduced by exports. The current situation is different, as rice export prospects are poor and wheat products are cutting into rice consumption.

Thai, Japanese Corn Trade Agreement

Thailand and Japan have reportedly reached a definite agreement on corn trade for the coming year. Although a partial accord was reached at negotiations held in Tokyo July 7-12, the problem of pricing remained unresolved. The talks, resumed at Bangkok from July 18 to August 3, apparently have resulted in mutual acceptance of the following formula: Thai corn shipped to Japan this season (under normal conditions) will be based on the Chicago price for No. 2 U.S. Yellow corn the month before shipment is made. Japan will choose two prices, one between the 1st and 14th of the month and one between the 16th and 30th, and these will be averaged with a price (chosen by Thailand) on the 15th of the month to get the applicable price.

If unforeseen circumstances obstruct the U.S. market, such as the longshoremen's strike last year (i.e. abnormal conditions), the price will be based on that paid by Japan in procuring from other countries. If this alternative is to be used, Thailand is required to so advise Japanese importers at least 60 days in advance. If such an event occurs, Japan will have the right to reduce its order but to not less than 60,000 tons per month.

Japan has agreed to purchase at least 540,000 metric tons during the season, with monthly purchases ranging from a low of 60,000 tons to not more than 130,000 tons. Its first order will be for 60,000 metric tons for October shipment.

Greek Raisin Prices and Subsidies

Greece has announced 1969 government policy covering support (security) prices and subsidies (income support grants) for dried currants and sultanas. Prior to each season, the Greek Government announces prices to be paid growers by private trade and cooperatives and prices at which cooperatives will resell to trade. Grower returns are supplemented by direct subsidies. Grower income should approximate last season. Higher 1969 sultana support prices are offset by a lower direct subsidy, and lower support prices for currants are offset by a higher direct subsidy.

The 1969 season program also provides for government subsidies covering 30 percent of the construction of modern sultana warehouses by cooperative organizations and for construction of Australian-type boxes for trial storage of sultanas for the improvement of quality.

To expedite the sale of the 1969 crop of currants, the government will channel 44,000 short tons of fresh currant-type grapes into wine processing.

GREEK CURRANT, SULTANA PRICES AND GRANTS

Item	1968	1969
Grower support prices:	*U.S. cents*	*U.S. cents*
Sultanas:	*per pound*	*per pound*
Grade No. 1	11.8	11.9
Grade No. 2	11.0	11.2
Grade No. 4	10.6	10.7
Grade No. 5	9.8	10.0
Currants, basic grade:		
Amalia, Trifilia	11.3	10.6
Aegialia	12.1	11.0
Corinthia	11.7	10.9
Patras, Ionian Islands	11.5	10.7
Elia	11.2	10.4
Messinia	10.9	10.3
Grower subsidies:		
Sultanas	3.0	2.9
Currants	2.3	3.0

Smaller Brazil Nut Crop

The 1968 brazil nut production estimate has been revised from 49,600 short tons to 66,100 tons. Pickers, hoping to obtain higher prices, held a substantial portion of harvested nuts in producing areas until late August 1968. This withholding action was the main reason for the low estimate. The 1969 harvest is estimated to be 36,400 short tons, 45 percent below 1968's exceptionally large crop.

On June 25, 1969, the Bank of Brazil's Foreign Trade Department (CACEX) issued Communiqué No. 273 increasing the 1969 crop minimum prices. The new prices are:

For assorted nut sales, the minimum price will be the arithmetic average of the price of each type forming the assortment. For Brazil nuts shipped from ports in the State of Amazonas, the above prices could be reduced by 1 U.S. cent per pound for shelled nuts and by 0.5 U.S. cent per pound for unshelled nuts.

In 1968, inshell brazil nut exports (including natural and dehydrated) totaled 30,400 tons, with an average value of 12.8 cents per pound (f.o.b.). This compares with 17,550 tons 1967 worth 17.7 cents per pound (f.o.b.). The United States was the major importer both years, with 42 and 39 percent respectively.

1969 CROP BRAZIL NUT PRICES

Type	IN-SHELL				
	Number of nuts per pound		U.S. dollars per pound f.o.b.		
	Natural	Dehydrated	Natural	Dehydrated	Polished
1 ex. large	30/35	40/45	0.18	0.23	0.25
1 large	35/40	45/50	.16	.22	.24
1 weak large	40/45	50/55	.15	.21	.23
2 ex. medium	45/50	55/60	.14	.20	.22
2 medium	48/58	58/68	.13	.19	.21
3 small	Over 58	—	.13	—	—

	SHELLED	
	Number of nuts per pound	U.S. dollars per pound f.o.b.
1A & 2A tiny	180/220	0.52
3A midget	160/180	.50
4A small	140/160	.49
5A & 6A medium	110/130	.48
7A large	90/110	.45
8A chipped	—	.43
9A broken	—	.38

Turkish Filbert Estimate Raised

Early estimates of the 1969 Turkish filbert crop, a cyclical crop, were placed at low levels, as 1969 was expected to be an off year. However, because of exceptionally good weather, the crop has developed at a much better rate than expected, and all sources have revised their estimates accordingly.

Although an official 1969 crop estimate is not yet available, preliminary industry estimates range from 132,000 to 193,000 short tons. Last year at about this time the official 1968 crop forecast was 176,000 tons, while actual production was only 145,000 tons. In the light of this information, FAS raises its earlier forecast of 110,000 to 143,000 tons.

The official purchasing prices for the 1969 crop have been set at 29.2 and 28.7 cents per pound of unshelled round filberts for member and nonmember producers of the FISKOBIRLIK cooperative, respectively. This compares to 26.7 and 26.2 cents per pound last year. The 1969 minimum export price for shelled round filberts is set at 57.8 cents per pound, compared to 53.5 cents per pound in 1968.

In an effort to increase export earnings, the government has established a 3-percent tax rebate on filberts processed and packaged in small consumer packages.

South African Dairy Products

The Republic of South Africa, traditionally a significant importer of dairy products, has been self-sufficient for the past 2 years. Imports of butter, which averaged over 20 million pounds per year in the mid-1960's, were almost nonexistent in 1968, and South Africa is now a net exporter of cheese.

Per capita consumption rates for fresh milk and butter have been nearly constant for 20 years, while per capita consumption of cheese and canned and powdered milk has grown steadily. Total consumption of fluid milk and milk products has shown an increasing trend in line with population growth, and milk production—spurred by favorable weather conditions—has grown even faster.

The growing milk supplies have been increasingly diverted to the manufacturing of milk products. In 1968, production of butter rose by 11 percent and that of cheese by 8 percent. This has cut into import requirements and produced an export surplus, which goes mainly to neighboring countries in southern Africa.

Argentine Flaxseed Area Down in 1969

Area seeded to flaxseed in Argentina in 1969 is 2,075,640 acres, according to the first official estimate. This is 5 percent below seedings in 1968 and 16 percent below the average of the previous 5 years (1964-68). Seedings have been affected by too much rain in some areas and insufficient rain in others. As seeding can continue into September, area could be higher than the first estimate.

Applying the average yield per seeded area during the last 5 years of about 9 bushels per acre to this year's area would result in a production of 19 million bushels, compared with a crop of 20.9 million in 1968 and with the average of the previous 5 years—22.3 million bushels.

Sugar Quota Deficits Prorated

On August 11 the USDA prorated 128,703 tons of deficits in sugar quotas to Western Hemisphere countries that are able to supply additional sugar. The action reflects the proration of deficits of 142,886 and 817 tons respectively in the quotas previously established for Peru and Panama; it also reflects a reduction of 15,000 tons in the previously determined deficit in the quota for Puerto Rico.

The proration was based on notification received from the governments before August 1 that Peru and Panama respectively would be able to supply only 300,000 and 44,440 short tons, raw value, during 1969. Nearly final reports for Puerto Rico's sugar production indicate that the area will be able to fill 355,000 tons of its 1969 quota. Accordingly, its deficit was redetermined to be 785,000 tons rather than 800,000 tons.

No proration was made to the Republic of the Philippines, Haiti, or Nicaragua, as information available to the Department indicates that each is unable to utilize additional quota.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

OFFICIAL BUSINESS

United States Department of Agriculture
POSTAGE & FEES PAID

MIAMI UNIVERSITY LIBRARY

To change your address or stop mailing, tear off this sheet and send to Foreign Agricultural Service, U.S. Dept. of Agriculture, Rm. 5918, Washington, D.C. 20250.

Netherlands Lowers Sugar Excise Duty

On July 7 the Netherlands Parliament approved a bill decreasing the excise duty on sugar, which also means a reduce value-added tax. Since that time retail sugar prices have dropped about 12 percent.

Until recently there was a vertical price agreement for Dutch sugar. If a retailer sold sugar below the agreed prices, he was excluded from deliveries of Dutch sugar by the Dutch mills. Firms that were so excluded started buying their sugar in France. In this way they were able to avoid the vertical price agreement and could sell at their own price.

Once the procedures of circumvention were started, other firms followed in order to be competitive. This made the vertical price agreement in the Dutch sugar trade unworkable. Therefore, the Dutch sugar industry recently suspended this agreement and prices have come down.

Belgian Cotton Consumption Rises

Belgian cotton consumption in 1968-69 (August-July) is expected to be around 300,000 bales (480 lb. net), compared with 288,000 bales a year earlier. The increase, if realized, will be the first in 8 years when annual mill offtake exceeded 400,000 bales. The decline in cotton consumption in past years has resulted from strong competition in Belgium's traditional textile export markets and loss of markets to manmade fibers. The textile industry has reportedly been operating at nearly full capacity during the 1968-69 season.

Belgian cotton imports are expected to about equal consumption in 1968-69. During the first 7 months (August-February) of 1968-69, Belgian imports included 46,000 bales of cotton from Brazil, 42,000 from Turkey, 24,000 from Chad, and 11,000 from the United States.

Crops and Markets Index

Cotton
12 Belgian Cotton Consumption Rises

Dairy and Poultry
11 South African Dairy Products

Fats, Oils, and Oilseeds
11 Argentine Flaxseed Area Down in 1969

Fruits, Nuts, and Vegetables
10 Greek Raisin Prices and Subsidies
11 Smaller Brazil Nut Crop
11 Turkish Filbert Estimate Raised

Grains, Feeds, Pulses, and Seeds
10 Weekly Report on Rotterdam Grain Prices
10 Taiwan's Rice Harvest
10 Thai, Japanese Corn Trade Agreement

Sugar, Fibers, and Tropical Products
11 Sugar Quota Deficits Prorated
12 Netherlands Lowers Sugar Excise Duty

☆ U. S. GOVERNMENT PRINTING OFFICE : 1969 396-273/8